

Message Text

PAGE 01 STATE 182145 TOSEC 190068

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ORIGIN EA-09

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DRAFTED BY EA:RHMILLER:CB

APPROVED BY EA:AWHUMMEL, JR.

P - MR. HABIB

T - MR. MAW

PM - MR. CHURCHILL

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H - ASWIFT

S/S - M. TANNER

S - H. COLLUMS

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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

S E C R E T STATE 182145 TOSEC 190068

E.O. 11652: GDS

TAGS:ARR, RP

SUBJECT: ACTION MEMORANDUM - PHILIPPINE BASE NEGOTIATIONS:
REQUEST FOR NEGOTIATING AUTHORITY (S/S NO. 761:758)

FOR THE SECRETARY FROM EA:HUMMEL THRU HABIB, MAW

1. IN CONNECTION WITH THE CURRENT US-PHILIPPINE BASE
NEGOTIATIONS, ON MAY 7, 1976 YOU RECOMMENDED TO THE
PRESIDENT THAT HE AUTHORIZE AMBASSADOR SULLIVAN TO PROPOSE,
INITIALLY, TO THE PHILIPPINE GOVERNMENT A FIVE-YEAR
SECURITY ASSISTANCE PROGRAM CONSISTING OF A COMBINATION OF
GRANT AND FMS FINANCING TOTALLING DOLS 50 MILLION EACH
YEAR, SUBJECT TO CONGRESSIONAL APPROPRIATION OF FUNDS.
YOU ALSO RECOMMENDED THAT THE PRESIDENT AUTHORIZE AMBASSADOR
SULLIVAN TO INCREASE THE SIZE OF THE PROFFERED PROGRAM, IF
SECRET

PAGE 02 STATE 182145 TOSEC 190068

NECESSARY, UP TO A MAXIMUM OF DOLS 50 MILLION IN GRANT
AND DOLS 50 MILLION IN FINANCING EACH YEAR FOR A PERIOD OF
FIVE YEARS, SUBJECT TO CONGRESSIONAL APPROPRIATION OF
FUNDS. THESE FIGURES WERE BASED ON AMBASSADOR SULLIVAN'S

JUDGMENT AT THE TIME AS TO WHAT WOULD BE NECESSARY TO REACH A SATISFACTORY AGREEMENT.

2. IN RESPONSE TO OMB'S REQUEST FOR COMMENTS ON YOUR RECOMMENDATIONS TO THE PRESIDENT, DOD DID NOT TAKE A

POSITION ON AN OPENING FIGURE BUT RECOMMENDED A LOWER CEILING (DOLS 30 MILLION GRANT, DOLS 40 MILLION FMS).

3. OMB HAS DEFERRED FORWARDING THE MATTER TO THE PRESIDENT FOR DECISION IN THE ABSENCE OF ANY INDICATION OF A PHILIPPINE ASKING PRICE. ALTHOUGH THE PHILIPPINE SIDE HAS NOT YET COME UP WITH A REQUESTED AID FIGURE OF ITS OWN, THEY HAVE PROVIDED A LENGTHY LIST OF EQUIPMENT NEEDS. THIS LIST COSTS OUT VERY ROUGHTLY AT DOLS 3.6 BILLION OVER FIVE YEARS. IN PRESENTING THIS LIST TO AMBASSADOR SULLIVAN, THE PHILIPPINE NEGOTIATOR NOTED THAT HIS GOVERNMENT COULD USE "ALMOST ANY FIGURE". HE TOLD SULLIVAN THAT THE PHILIPPINES HAD NO INTENTION OF ASKING THE U.S. TO FINANCE THE ENTIRE PLAN, BUT WISHED TO KNOW HOW MUCH CONTRIBUTION THE U.S. WOULD BE PREPARED TO MAKE TO IT.

4. AMBASSADOR SULLIVAN HAS NOW RECOMMENDED THAT HE BE AUTHORIZED TO OFFER AT AN EARLY DATE AS AN INITIAL FIGURE DOLS 34 MILLION IN GRANT FUNDS, TO BE MATCHED BY DOLS 34 MILLION IN CREDITS AND GUARANTEED LOANS ON AN ANNUAL AVERAGE OVER A FIVE-YEAR PERIOD. HE CONTINUES TO RECOMMEND THAT PRESIDENTIAL AUTHORITY BE OBTAINED TO GO AS HIGH AS DOLS 50 MILLION IN GRANTS AND DOLS 50 MILLION IN CREDITS AND GUARANTEED LOANS ON AN ANNUAL AVERAGE OVER A FIVE-YEAR PERIOD. AMBASSADOR SULLIVAN BELIEVES THAT AN INITIAL OFFER OF DOLS 34 MILLION IN GRANT FUNDS, WHICH IS DOUBLE THE GRANT MAP FIGURE AUTHORIZED FOR FY 1977, WILL CONVINCE THE PHILIPPINE SIDE OF THE SERIOUS PROSPECTS FOR A GOOD AGREEMENT. HE FURTHER BELIEVES THAT THE DOLS 16 MILLION GRANT SPREAD (UP TO DOLS 50 MILLION IN GRANT FUNDS) SHOULD BE ENOUGH TO PERSUADE THE
SECRET

PAGE 03 STATE 182145 TOSEC 190068

PHILIPPINE SIDE TO COME TO A WORKABLE AGREEMENT.

5. DOD BELIEVES THAT DOLS 30 MILLION IN GRANTS IS A MORE SENSIBLE OPENING FIGURE. DOD ARGUES THAT DOLS 30 MILLION IN GRANT FUNDS IS SUFFICIENTLY HIGHER THAN PRESENT LEVELS (DOLS 17 MILLION) TO BE TAKEN BY THE PHILIPPINE SIDE AS A SERIOUS NEGOTIATING OFFER. AT THE SAME TIME, DOD IS CONCERNED THAT AMBASSADOR SULLIVAN'S PROPOSED FIGURES WOULD APPEAR TO THE CONGRESS AS AN UNREASONABLE JUMP OVER PRESENT LEVELS. WE UNDERSTAND THAT FOR THESE REASONS DOD PLANS TO RECOMMEND TO OMB AN OPENING FIGURE OF DOLS 30 MILLION GRANT--DOLS 34 MILLION FMS FINANCING. WE ALSO UNDERSTAND THAT DOD PLANS TO RAISE ITS RECOMMENDED

CEILING FIGURE TO DOLS 90 MILLION (DOLS 40 MILLION GRANT AND DOLS 50 MILLION FMS FINANCING). DOD WILL ARGUE THE IMPORTANCE OF ESTABLISHING AT THE OUTSET A HIGHER PROPORTION OF FMS FINANCING.

6. ALTHOUGH WE WOULD PREFER TO SUPPORT AMBASSADOR SULLIVAN'S RECOMMENDATION OF DOLS 34 MILLION--DOLS 34 MILLION AS A MORE EFFECTIVE OPENING OFFER FOR NEGOTIATING PURPOSES, WE BELIEVE THERE ARE STRONG ARGUMENTS FOR JOINING DOD IN SUPPORTING THE DOLS 30 MILLION--DOLS 34 MILLION OPENING FIGURE. WE BELIEVE SUCH A FIGURE CAN BE JUSTIFIED TO THE FILIPINOS AS A SERIOUS NEGOTIATING OFFER. AT THE SAME TIME, WE FIND DOD'S ARGUMENT ABOUT THE LIKELY CONGRESSIONAL REACTION QUITE PERSUASIVE: THE GREEK AND TURKISH BASE AGREEMENTS, FOR EXAMPLE, INCLUDE GRANT AID SUMS, ON AN ANNUAL BASIS, THAT ARE NOT MUCH HIGHER THAN PAST LEVELS. FINALLY, WE BELIEVE THAT PRESENTING A COMMON STATE-DOD POSITION TO OMB WILL FACILITATE GETTING AN EARLY PRESIDENTIAL DECISION.

7. WITH RESPECT TO THE CEILING FIGURE, I BELIEVE WE SHOULD HOLD TO YOUR EARLIER RECOMMENDATION TO THE PRESIDENT OF DOLS 50 MILLION GRANT--DOLS 50 MILLION FMS FINANCING. TO PROVIDE US WITH GREATER FLEXIBILITY, THE CEILING FIGURE SHOULD BE EXPRESSED AS DOLS 100 MILLION OF WHICH NO MORE THAN DOLS 50 MILLION TO BE GRANT. THUS WE CAN ALTER THE PROPORTIONS OF GRANTS TO FMS FINANCING DEPENDING ON THE NEGOTIATING SITUATION.

SECRET

PAGE 04 STATE 182145 TOSEC 190068

OPTIONS

OPTION 1:

THAT WE CONTINUE TO SUPPORT YOUR EARLIER RECOMMENDATION TO THE PRESIDENT FOR AN OPENING FIGURE CLOSE TO PRESENT LEVELS (DOLS 25 MILLION--DOLS 25 MILLION).

PRO: MORE ACCEPTABLE TO THE CONGRESS.

CON: WOULD BE TAKEN BY THE PHILIPPINE SIDE AS A LACK OF SERIOUS NEGOTIATING INTENT; COULD THEREBY PROLONG THE NEGOTIATIONS FOR NON-SUBSTANTIVE REASONS.

OPTION 2:

THAT WE JOIN DOD IN RECOMMENDING A DOLS 30 MILLION--DOLS 34 MILLION OPENING FIGURE.

PRO: 1. COULD BE JUSTIFIED TO THE PHILIPPINE SIDE AS A SERIOUS NEGOTIATING OFFER.

2. WOULD BE STILL REASONABLY ACCEPTABLE TO THE CONGRESS.

3. AN AGREED STATE-DOD RECOMMENDATION WOULD BE MORE
LIKELY TO OBTAIN OMB SUPPORT WITH THE PRESIDENT.

CON: IT DOES NOT FULLY SUPPORT AMBASSADOR SULLIVAN'S
JUDGMENT OF WHAT IS NEEDED AS A SERIOUS NEGOTIATING
OFFER; THEREFORE COULD PROLONG THE NEGOTIATIONS.

OPTION 3:

THAT WE SUPPORT AMBASSADOR SULLIVAN'S OPENING FIGURE
(DOLS 34 MILLION--DOLS 34 MILLION).

PRO: WOULD BE MOST CONDUCIVE TO GETTING EARLY PHILIPPINE
AGREEMENT.

CON: 1. COULD RUN INTO CONSIDERABLE CONGRESSIONAL
RESISTANCE.

SECRET

PAGE 05 STATE 182145 TOSEC 190068

2. A SPLIT STATE-DOD POSITION COULD TAKE LONGER TO
RESOLVE WITH THE PRESIDENT.

RECOMMENDATIONS:

1. THAT YOU APPROVE OPTION 2., A JOINT STATE-DOD OPENING
FIGURE OF DOLS 30 MILLION--DOLS 34 MILLION.

APPROVE----- DISAPPROVE-----

ALTERNATIVELY, YOU MAY PREFER TO SUPPORT AMBASSADOR
SULLIVAN'S RECOMMENDATION (DOLS 34 MILLION--DOLS 34
MILLION).

APPROVE----- DISAPPROVE-----

ALTERNATIVELY, YOU MAY PREFER TO STICK WITH YOUR
ORIGINAL RECOMMENDATION OF DOLS 25 MILLION--DOLS 25
MILLION.

APPROVE-----DISAPPROVE-----

2. THAT WE STICK TO YOUR EARLIER RECOMMENDED CEILING
FIGURE OF DOLS 50 MILLION GRANT--DOLS 50 MILLION FMS.

APPROVE----- DISAPPROVE-----

DEPENDING ON YOUR DECISION, WE WILL PREPARE A MEMORAN-
DUM FROM MR. MAW CONVEYING THAT DECISION TO OMB.

CLEARANCES:PM-GCHURCHILL, L-EVERVILLE, H-ASWIFT
S. H. COLLUMS

DRAFTED BY: RHMILLER ROBINSON

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